

PUBLIC DISCLOSURE

MAY 31, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DEDHAM CO-OPERATIVE BANK

402 WASHINGTON STREET
DEDHAM, MASSACHUSETTS 02026

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **DEDHAM CO-OPERATIVE BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of May 31, 2005. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Based on the five criteria specified for institutions with assets under \$250 million, Dedham Co-operative Bank's overall CRA performance is considered Satisfactory. The Bank's loan-to-deposit ratio stood at 71.06 percent as of March 31, 2005, and averaged 65.5 percent over the last 8 quarters. This performance meets the standards for satisfactory performance based on the Bank's size, customer credit needs, and the highly competitive market in which it operates.

Mortgage loan data for calendar years 2003 and 2004 indicate that the Bank originates the majority of its residential mortgages inside the assessment area. Hence, the Bank meets the standards for satisfactory performance in this category.

Low and moderate-income families represent 23.4 percent of the total families within the assessment area. The Bank's performance in lending to borrowers of different income levels is considered to be exceptional when compared to aggregate data and to the distribution of family households, especially moderate-income families.

The Bank's assessment area contains no low and moderate-income census tracts. Based on the analysis of the geographic distribution of loans within each locality, the Bank's performance is considered satisfactory. Finally, based on a review of the Bank's CRA-related complaint file and fair lending policies and practices, no evidence of any discriminatory practices was noted. An overall rating of "Satisfactory" is warranted.

PERFORMANCE CONTEXT

Description of Institution

Dedham Co-operative Bank is a mutually-owned state chartered institution with its only office headquartered in Dedham, Massachusetts. The Bank is located in an upper-income census tract. Banking hours are considered convenient and accessible to the Bank's customers.

As of March 31, 2005, the Bank's assets totaled \$80,974,000 of which \$37,589,000 or 46.4 percent represented total loans. The largest portion of the loan portfolio is comprised of loans secured by residential 1-4 family properties. These loans represent 92.5 percent of the total loan portfolio. Other loans in the portfolio consist of loans on nonfarm nonresidential properties, which account for 5.8 percent of the loan portfolio. The remaining portfolio consists of construction and land development loans and consumer loans, each of which represents less than 1 percent of the loan portfolio.

Additional information regarding the comparison of the Bank's loan portfolio is summarized below.

Loan Distribution as of March 31, 2005		
Loan Type	Dollar Amount \$(000)	Percent (%)
Secured by:		
Construction and Land Development	354	0.9
Home Equity Lines of Credit	2,613	7.0
1-4 Family Residential Properties	32,131	85.5
Multi Family (5 or more) Residential Properties	0	0.0
Non-farm Nonresidential Properties	2,187	5.8
Commercial and Industrial Loans	0	0.0
Consumer Loans	304	0.8
Total Gross Loans	37,589	100.0

Source: Report of Condition

Other than the Bank's relatively small asset size and limited staff, there appears to be no significant financial or legal impediments, which would limit the Bank's ability to help meet the various credit needs of its assessment area.

Dedham Co-operative Bank operates in a very competitive market. Local competitors include Dedham Institution for Savings, Norwood Co-operative Bank, and Sovereign Bank, as well as a number of regional and national mortgage companies.

The previous Division examination was conducted on June 2, 1999; the Bank obtained a High-Satisfactory rating. The Bank was last examined for compliance with the CRA by the Federal Deposit Insurance Corporation ("FDIC") on February 4, 2003; this evaluation resulted in a Satisfactory rating.

PERFORMANCE CONTEXT (CONTINUED)

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its lending efforts are focused. The Division evaluates the institution's CRA performance based upon the defined assessment area.

Dedham Co-operative Bank has defined its assessment area to include the Towns of Dedham, Needham, and Westwood, all of which are located within the Boston Metropolitan Statistical Area ("MSA").

The Bank's assessment area contains 14 census tracts: 10 upper-income tracts, and 4 middle-income tracts. The assessment area contains no low or moderate-income census tracts.

The assessment area appears to meet all technical requirements of the regulation and does not arbitrarily exclude low and moderate-income areas. In addition, the area does not extend beyond the boundaries of the Commonwealth of Massachusetts.

Based on the 2000 U.S. Census data The Department of Housing and Urban Development ("HUD") median family income for the Boston MSA was \$65,500. Subsequently, HUD makes annual adjustments of MSA median family income figures. The adjusted median family income for the MSA for 2003 was \$80,800.

In 2000, the Office of Management and Budget ("OMB") published new standards for defining Metropolitan Areas. MSAs are now defined in terms of whole counties. If the specified criteria are met, an MSA containing a single core with a population of 2.5 million may be subdivided to form smaller groupings of counties. Effective for 2004, the Boston MSA was subdivided to form smaller groupings of counties referred to as Metropolitan Divisions ("MD"). Dedham Co-operative Bank's assessment area is part of the Boston-Quincy MD. The adjusted median family income for the Boston-Quincy MD for 2004 was \$75,300.

Assessment Area 2003/2004

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2003 based on census data for 2000, the assessment area is comprised of 14 census tracts. The breakdown classification of the tracts in 2003 is as follows: 5 or 35.7 percent middle-income and 9 or 64.3 percent upper-income.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>House- holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Middle</i>	35.7	30.9	30.9	29.9	35.3	34.6	214,578
<i>Upper</i>	64.3	69.1	69.1	70.1	64.8	65.4	375,065
<i>Total of Median</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>327,504</i>

Source: 2000 U.S. Census

PERFORMANCE CONTEXT (CONTINUED)

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2004. This table reflects the breakdown of the assessment area's census tracts based on the median income for the Boston-Quincy MD. The census data for the assessment area's 14 census tracts within the MD are as follows: 4 or 28.6 percent middle-income and 10 or 71.4 percent upper-income.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>House- holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
Middle	28.6	24.4	24.6	22.5	33.8	31.1	209,997
Upper	71.4	75.6	75.4	77.5	66.2	68.9	259,608
Total of Median	100.0	100.0	100.0	100.0	100.0	100.0	327,504

Source: 2000 U.S. Census

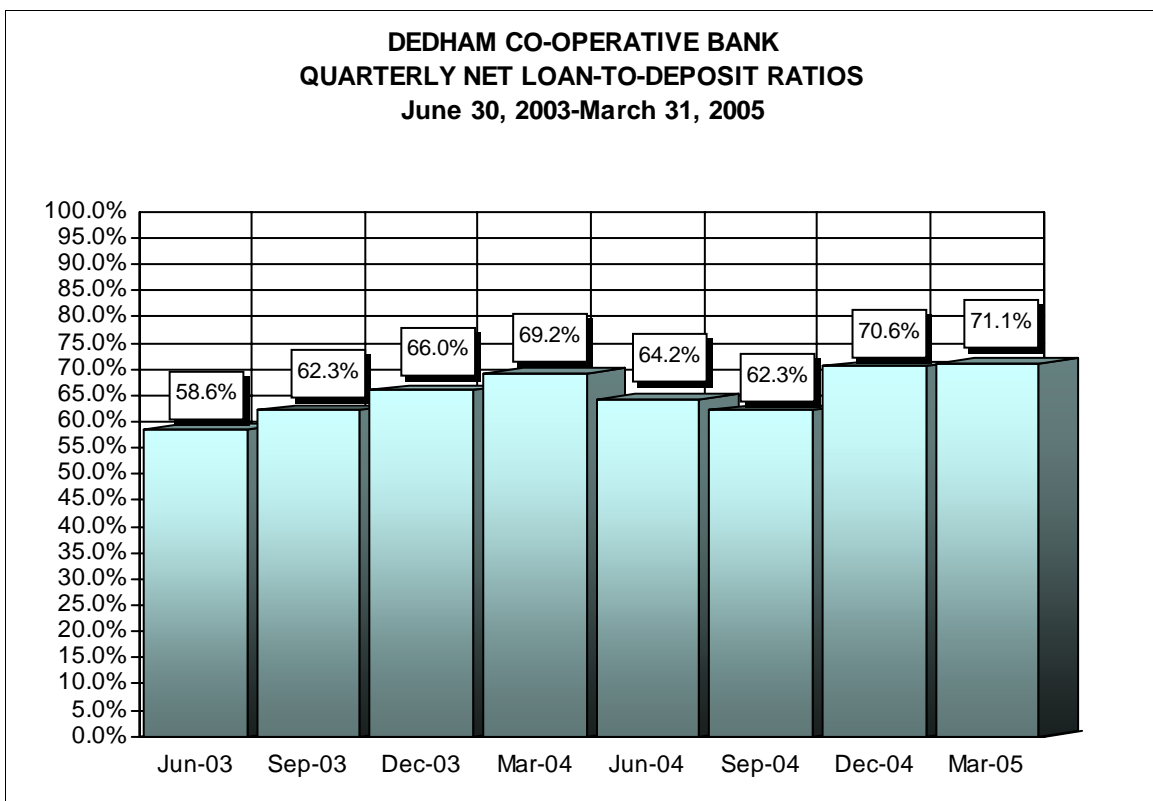
Census demographic data obtained from the CRA WIZ indicate that the Bank's assessment area contains a total population of 66,492 individuals. There are 25,030 housing units within the assessment area, of which 80.3 percent are owner-occupied, 17.2 percent are rental occupied, and 2.5 percent are vacant units. Households living below the poverty level represent 4.3 percent of total households.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the Bank's asset size, its capacity to lend, and the credit needs of its customers, the institution's net loan-to-deposit ratio meets the standards for satisfactory performance.

An analysis of Dedham Co-operative Bank's net loan-to-deposit ("LTD") ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council ("FFIEC") Call Report data for this institution. The Bank's net loans to total deposits as reported to the FFIEC were reviewed for the quarters ending June 30, 2003, through March 31, 2005. The following chart indicates that for the period reviewed, the Bank's net LTD increased from a low of 58.6 percent as of June 30, 2003, to a high of 71.1 percent as of March 31, 2005. The average LTD ratio for this period was 65.5 percent. Call report data for this period indicates that total loans increased by approximately 21 percent, while total deposits increased by less than 1 percent.



PERFORMANCE CRITERIA (CONTINUED)

The Bank's net loan-to-deposit ratio for first quarter 2005 is indicated below and is compared to other institutions that operate within the Bank's assessment area. The Bank's efforts in stimulating loan growth by bringing rates more in line with the competition and the comparison of four other institutions, as shown in the following table, puts the Bank's net loans-to-deposit ratio at a satisfactory level.

<i>Loan-to-Deposit Ratios as of March 31, 2005</i>			
Bank	Net Loans (\$000)	Deposits (\$000)	% LTD
Needham Co-operative Bank	289,658	271,159	106.8
Norwood Co-operative Bank	275,348	294,695	93.4
The Co-operative Bank	188,166	220,092	85.5
Dedham Co-operative Bank	37,296	52,484	71.1
Canton Co-operative Bank	31,623	65,274	48.5

Based on the foregoing information, the Bank's asset size and resources, and the credit needs of its customers, the Bank's net loan-to-deposit ratio is considered to be adequate.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based upon the analysis of residential loan data, the Bank's level of lending within the assessment area meets the standards for satisfactory performance.

Data regarding the Bank's residential mortgage lending activity for 2003 and 2004 was reviewed to determine the proportion of loans within the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the Bank's Loan Application Register ("LAR") filed under the provisions of the Home Mortgage Disclosure Act ("HMDA").

The data revealed that the Bank originated 85 HMDA reportable loans during this period. Of this number, 47 loans or 55.3 percent were originated within the Bank's assessment area. The Bank's lending within its assessment area was slightly higher in dollar amount. During the period under review, the Bank extended \$20.37 million in HMDA reportable loans. Of this amount, \$11.50, million or 56.4 percent, was originated within the Bank's assessment area. Refer to the following table.

Distribution of HMDA Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollars				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2003	22	48.9	23	51.1	45	5,600	54.3	4,707	45.7	10,307
2004	25	62.5	15	37.5	40	5,897	58.6	4,169	41.4	10,066
Total	47	55.3	38	44.7	85	11,497	56.4	8,876	43.6	20,373

Source: HMDA LAR CRA WIZ 2003

PERFORMANCE CRITERIA (CONTINUED)

Based on the above analysis, Dedham Co-operative Bank's loan distribution reflects a fair distribution throughout the assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of residential loans to borrowers of different incomes reflects good penetration among all income levels. Based upon this analysis, the Bank's efforts exceed the standards for satisfactory performance.

The analysis of borrower income level was identified as the ratio of borrower income to the median family income¹ for the assessment area towns located within the Boston MSA. The median family income is based upon estimated 2003 and 2004 HUD information for the MSA. The 2003 median family income for the Boston MSA is \$80,800. The 2004 median family income for the Boston-Quincy MD is \$75,300.

The following table indicates loans originated and categorized by the applicants' reported income in relation to the median family income for the MSA in which the property is located. Loans extended to borrowers with incomes within the upper-income level for the MSA median family income represented the largest individual category with 53.2 percent of the total number for the period reviewed. Loans extended to borrowers of middle-income were 17.0 percent of the total number. Loans to borrowers of low and moderate-income represented 23.4 percent and 6.4 percent of loans originated, respectively. The following table provides a breakdown of residential loans originated by number categorized by the applicants' income level.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Families¹	Aggregate Lending Data (% of #)	2003		2004		Total	
		2003	#	%	#	%	#	%
Low	10.19	2.9	2	9.1	1	4.0	3	6.4
Moderate	13.17	10.8	4	18.2	7	28.0	11	23.4
Middle	19.53	20.9	3	13.6	5	20.0	8	17.0
Upper	57.11	49.1	13	59.1	12	48.0	25	53.2
NA	0.00	16.1	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	22	100.0	25	100.0	47	100.0

Source: 12000 U.S. Census, HMDA LAR HMDA Aggregate Data

¹ As defined by the U.S. Department of Housing and Urban Development (HUD) Low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as an income level that is 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as an income level that is 80 percent to less than 120 percent of the MSA median family income, while upper-income is defined as an income level that is equal to or greater than 120 percent of the MSA's median family income.

PERFORMANCE CRITERIA (CONTINUED)

Since 2002, the median cost of a single family home in Dedham, Westwood and Needham increased by more than 17 percent, 25 percent and 19 percent, respectively. The median cost of a condominium for the same period increased more than 61 percent in Dedham, and 16 percent in Needham. Although the rapid increase in housing costs continues to be a prohibitive factor in homeownership for low and moderate-income borrowers, the Bank's loans to low and moderate-income borrowers, nevertheless, exceeds the aggregate and was consistent with the percent of low and moderate-income families within the assessment area.

Additionally, the Bank's level of lending among low-income borrowers decreased and lending among moderate-income borrowers increased significantly for 2004. Although the total volume of loans originated is relatively small, the performance within the low and moderate-income category is considered exceptional.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The analysis of the geographic distribution of residential loans and a comparative analysis of 2003 HMDA aggregate data indicate that Dedham Co-operative Bank's efforts meet the standards for satisfactory performance.

The Bank's lending activity within the assessment area was reviewed in order to determine the distribution of lending among census tracts of various income levels. As mentioned in the performance context, the Bank's assessment area contains four middle-income census tracts and ten upper-income census tracts. There are no low and moderate-income census tracts within the Bank's assessment area.

The analysis of the Bank's loan originations indicates that 28 loans or 59.6 percent were located in middle-income census tracts, while 19 loans or 40.4 percent were located in upper-income census tracts.

Refer to the following table.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-occupied Housing Units¹	Aggregate Lending Data (% of #)	2003		2004		Total	
		2003	#	%	#	%	#	%
Middle	29.9	25.4	11	50.0	17	68.0	28	59.6
Upper	70.1	74.6	11	50.0	8	32.0	19	40.4
Total	100.0	100.0	22	100.0	25	100.0	47	100.0

Source: ¹2000 U.S. Census, HMDA LAR HMDA Aggregate Data

Based on the above analysis, the geographic distribution reflects a reasonable penetration in the various census tracts within the assessment area. Therefore, performance under this criterion is deemed Satisfactory.

PERFORMANCE CRITERIA (CONTINUED)

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank has a written Fair Lending Policy that addresses specific areas relating to internal and external employee training and makes reference to HMDA, CRA, ECOA and Fair Lending Regulations. Primarily, the Bank markets its services and products to the community through print media.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. Sample reviews of the Bank's approved and non-originated residential loan application files were conducted to check for fair lending issues. No discriminatory practices were noted.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. Between 2003 and 2004, the Bank received a total of 51 residential loan applications from within its assessment area. During this period, no applications were received from minorities.

Refer to the following table for further details.

Minority Application Flow*								
Race	2003 Aggregate Data		Bank 2003		Bank 2004		Bank Total	
	#	%	#	%	#	%	#	%
<i>Native American</i>	21	0.1	0	0.0	0	0.0	0	0.0
<i>Asian</i>	421	2.9	0	0.0	0	0.0	0	0.0
<i>Black</i>	110	0.8	0	0.0	0	0.0	0	0.0
<i>Hispanic</i>	146	1.0	0	0.0	0	0.0	0	0.0
<i>Joint</i>	NA	NA	NA	NA	0	0.0	0	0.0
<i>Other</i>	175	1.2	0	0.0	0	0.0	0	0.0
Total Minority	873	6.0	0	0.0	0	0.0	0	0.0
<i>White</i>	10,031	68.8	24	100.0	27	100.0	51	100.0
<i>NA</i>	3,679	25.2	0	0.0	0	0.0	0	0.0
Total	14,583	100.0	24	100.0	27	100.0	51	100.0

*Source: PCI Services, Inc., CRA Wiz Software.

The Bank's minority application flow for this period was compared with the racial make-up of the assessment area and the 2003 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applicants.

PERFORMANCE CRITERIA (CONTINUED)

According to 2000 Census Data, the Bank's assessment area in 2003 contained a total population of 66,492 individuals, 6.0 percent of which is representative of various minority groups. The Bank received no applications from minorities during the period reviewed. However, the 2003 aggregate data indicates total applications received from minority applicants, at 6.0 percent, is at a level that more closely reflects the racial composition of the assessment area.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (402 Washington Street, Dedham, MA 02026)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.